

Preparing for the Top Jobs of the 21st Century

Interim Report of the Governor's Commission on Higher Education Reform, Innovation and Investment

December 20, 2010

INTRODUCTION AND EXECUTIVE SUMMARY

On March 26, 2010, Governor Bob McDonnell signed Executive Order Number Nine,¹ establishing the Governor's Commission on Higher Education Reform, Innovation and Investment, and charging it with setting forth "a comprehensive strategy for increased educational attainment, skills development, and lifelong learning that will equip Virginians to succeed at the highest levels of global economic competition."

Today we complete the first phase of our work by issuing this Interim Report recommending passage of landmark higher education legislation in the 2011 session of the Virginia General Assembly. We propose that the Commonwealth articulate a clear and achievable vision of national and international leadership in college degree attainment and personal income and, through legislation, put Virginia on a sustainable path of higher education innovation, investment and reform that will make that vision real.

Our Commission's work is ongoing, and while the legislation we propose will not complete the development of this strategic vision and program, it will set the course and commence it. To develop the full plan and detailed policies, there must be a positive, bipartisan spirit of executive and legislative branch cooperation, active collaboration and trust between and among the Commonwealth and its public and private institutions of higher education, and a dynamic, jobs-focused partnership in every region of Virginia that unites the efforts of the business and professional community and our colleges, universities, and community colleges.

Our Commission proposes a name for this comprehensive, forward-focused effort: "*Preparing for the Top Jobs of the 21st Century*: The Virginia Higher Education Opportunity Act of 2011." We recommend that the "*Top Jobs*" or "TJ21" legislation embrace three core elements:

¹ A copy of Executive Order Number Nine, as revised on July 9, 2010, is Attachment A.

1. Economic Opportunity:

Recognizing the well-documented link between educational achievement and earning power, we propose a series of measures that will help foster economic growth in the Commonwealth and prepare Virginians for the best jobs and incomes in the knowledge-based economy. The most relevant indicators of our progress—as well as our competitive standing globally—are college degree attainment and personal income growth, and so it is to tangible improvement according to those key measures that our proposals are directed.

2. Reform-Based Investment:

Moving beyond the tiresome debate about reform versus investment, our proposals recognize the vital need for both. We do not propose quick fixes or a massive infusion of cash. Not only are those things unavailable in the present economy, but even if within our grasp they would not reflect the sound public policy taxpayers have a right to expect. To achieve our shared vision, Virginia must implement a program of sustained investment that will preserve and extend excellence in our higher education system while at the same time instituting reforms and innovations that will extend quality degree opportunities to more Virginians in creative, cost-effective ways.

3. Affordable Access:

Ultimately, this educational and economic endeavor must work for the students it seeks to serve and serve the Virginians who seek to work. Our proposals are thus directed toward ensuring that all deserving and committed Virginia students have access to an excellent education throughout our broad and diverse higher education system. The proposals likewise will help ensure that a college degree remains within reach for young people of limited or ordinary means and accessible to people already engaged in the workforce.

In remarks delivered at George Mason University before his election, Governor McDonnell candidly observed:

Many people my age and older worry that the next generation of Virginians may be the first not to enjoy greater economic opportunities than their parents—that the American Dream may be dimming for our children and grandchildren, and that other nations may pass us by in innovation and competitiveness.... [W]hile that may be unduly pessimistic, we certainly cannot afford to be blindly optimistic. The hard reality is this: The 21st-century economy requires increasingly high skill and knowledge levels. Too few Virginians are going to college and getting that preparation. And our present state policies are doing far too little about it.

The Governor's diagnosis appears to reflect an increasingly broad consensus for decisive action, and we applaud him and the Commonwealth's bipartisan legislative leadership—many of whom are members of the Commission or have been consulted during our deliberations—for recognizing the pressing need for change. Because of our excellent system of higher education,

the Commonwealth has a solid platform from which to achieve leadership in the knowledge-based economy. It is our privilege as Commission members to assist in giving content to this commitment and fashioning policy recommendations to help achieve it.

For ease of reference, our interim recommendations are listed below in summary fashion. The body of our report then follows, with the following parts: a description of the Commission's work to date; a review of where things currently stand with respect to higher education in Virginia; a detailed discussion of our interim recommendations; and a concluding section on next steps.

SUMMARY OF RECOMMENDATIONS

(1) ECONOMIC OPPORTUNITY

(a) 100,000 More Degrees

- *Adopt the McDonnell/National Center for Higher Education Management Systems ("NCHEMS") 100,000-degree goal for additional college degree attainment as a state policy priority.*
- *Enroll more Virginia students at the state's public and private colleges by stabilizing base funding, rewarding enrollment growth, and establishing institution-specific Virginia-student enrollment targets.*
- *Encourage and facilitate degree completion by more Virginians with partial college credit.*
- *Establish targeted policies and incentives to promote improved retention and graduation rates throughout the Virginia higher education system.*

(b) STEM and Other High-Demand Degrees

- *Establish a set of "economic opportunity metrics" that will enable everyone in the higher education enterprise, including students and parents, to understand the economic impact and earning potential of particular degree programs at particular institutions.*
- *Establish a public-private collaborative effort that engages the business, non-profits, higher education and K-12 communities in the development and implementation of a comprehensive plan to increase science, technology, engineering, math, ("STEM") and high demand degree attainment in Virginia.*

(c) Research and Development (“R&D”) Initiative

- *Develop a statewide strategic roadmap that catalogs all R&D assets and activities, particularly those related to federally funded research, and aligns Virginia’s economic development initiatives with additional R&D investments.*
- *Establish an emerging technologies fund as a vehicle for strengthening R&D-related programs, including recruitment of eminent faculty, acquisition of research-related equipment, intellectual property commercialization and seed-stage funding.*
- *Create a new state income tax credit to promote private investment in R&D activities.*

(2) REFORM-BASED INVESTMENT

(a) Year-Round Utilization

- *Engage each public higher education institution in the expedited development of a plan for optimal year-round utilization of its physical and instructional assets.*

(b) Technology-Enhanced Instruction

- *Provide infrastructure and incentives for institutions to participate in “Virtual Departments” that leverage instructional resources across the Virginia higher education system.*
- *Promote innovative course redesign initiatives that enhance instructional quality and reduce cost by incorporating new technologies into courses provided at Virginia colleges and universities.*
- *Enhance the availability, quality and affordability of online course offerings, especially for non-traditional students with partial college credit.*
- *Encourage expanded use of electronic textbooks and other online curriculum.*

(c) Degree Path Initiatives

- *Increase the statewide availability of dual enrollment and advanced placement options that can help reduce the time required to complete college study.*
- *Enhance incentives and aggressively promote options for obtaining a bachelor’s degree by enrolling first in a community college and then completing study at a four-year institution.*
- *Establish economic incentives for timely and expedited completion of bachelor’s degree programs.*

- *Develop a comprehensive college readiness plan that phases out reliance on developmental (remedial) programs at the college level by accomplishing necessary diagnostic and remedial action at the high school level.*

(d) Restructuring Refinements

- *Establish an effective consultative process for the development, refinement and endorsement of institutional performance plans with appropriate participation by executive, legislative, and institutional representatives.*
- *Revise performance metrics and corresponding incentives to make the incentives more robust and tailored to specific outcomes on state policy priorities, especially those related to economic impact and innovation.*
- *Form an executive-legislative-institutional working group to identify additional ways to reduce costs and enhance efficiency by increasing managerial autonomy with accountability at the institutional level.*

(e) Community College Reengineering

- *Support progress on the Virginia Community College System (“VCCS”) Reengineering Task Force’s ten major strategies for reform and innovation.*

(3) AFFORDABLE ACCESS

(a) Codified Funding Model

- *Codify in the Top Jobs legislation a funding model that supports sustained long-term effort to achieve the priority policy goals outlined in this report related to economic opportunity, reform-based investment, and affordable access.*

(b) Stable and Predictable Base Funding

- *Provide stable and predictable base funding for each institution using objective peer-based methodology that reduces the influence of ad hoc considerations, such as lobbying.*
- *Enroll more Virginia students at the state’s public and private colleges by stabilizing base funding, rewarding enrollment growth, and establishing institution-specific Virginia-student enrollment targets.*
- *As state support increases over time, reduce reliance on tuition and fees to support institutional operations and instruction.*
- *As growth revenues become available, deposit funds in a higher education reserve (“rainy day fund”) so that state investment in the Top Jobs priorities can be sustained*

over time and sudden surges in tuition can be avoided during future economic downturns.

(c) Per-Student Funding

- *Restore and enhance funding of the tuition assistance grants (TAG) for students attending Virginia's independent colleges.*
- *Make a 'promise' to every Virginia student that a significant increment of state funding will follow the student to the public or private (not-for-profit) Virginia college of his or her choice.*

(d) Need-Based Financial Aid

- *Provide additional need-based financial aid—including grants and low-interest loans, if feasible—to enhance college affordability for low- and middle-income students and their families.*

(e) Incentives for Economic Impact and Innovation

- *Provide performance-based incentive funding tied to key policy outcomes related to economic impact and innovation.*